

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 30, 2022

Hunters Point Shipyard Block 56, located at 11 Innes Court in San Francisco, requested and is being recommended for a reservation of \$3,414,683 in annual federal tax credits to finance the new construction of 72 units of housing serving tenants with rents affordable to households earning 30%-40% of area median income (AMI). The project will be developed by Mercy Housing California and will be located in Senate District 11 and Assembly District 17.

Project Number CA-22-590

Project Name Hunters Point Shipyard Block 56
 Site Address: 11 Innes Court
 San Francisco, CA 94124 County: San Francisco
 Census Tract: 9806.00

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$3,414,683 | \$0 |
| Recommended: | \$3,414,683 | \$0 |

Applicant Information

Applicant: Hunters Point Block 56, L.P.
 Contact: Fiona Ruddy
 Address: 1256 Market Street
 San Francisco, CA 94102
 Phone: 415.355.7160
 Email: fiona.ruddy@mercyhousing.org

General Partner(s) or Principal Owner(s): Mercy HPSY Block 56 LLC
 SFHDC HPSY Block 56 LLC

General Partner Type: Nonprofit
 Parent Company(ies): Mercy Housing Calwest
 San Francisco Housing Development Corporation

Developer: Mercy Housing California
 Bond Issuer: City and County of San Francisco
 Investor/Consultant: Community Economics
 Management Agent: Mercy Housing Management Group

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 73
 No. / % of Low Income Units: 72 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax Exempt

Information

Housing Type: Non-Targeted
 Geographic Area: San Francisco County
 CTCAC Project Analyst: Dylan Hervey

55-Year Use / Affordability

| Aggregate Targeting | Number of Units | Percentage of Affordable Units |
|----------------------------|------------------------|---------------------------------------|
| 30% AMI: | 8 | 11% |
| 40% AMI: | 64 | 89% |

Unit Mix

| |
|--------------------|
| 4 SRO/Studio Units |
| 18 1-Bedroom Units |
| 32 2-Bedroom Units |
| 16 3-Bedroom Units |
| 3 4-Bedroom Units |
| <hr/> |
| 73 Total Units |

| Unit Type & Number | 2022 Rents Targeted % of Area Median Income | Proposed Rent (including utilities) |
|-------------------------------|--|--|
| 4 SRO/Studio | 40% | \$1,212 |
| 17 1 Bedroom | 40% | \$1,386 |
| 28 2 Bedrooms | 40% | \$1,559 |
| 12 3 Bedrooms | 40% | \$1,731 |
| 2 4 Bedrooms | 40% | \$1,870 |
| 1 5 Bedrooms | 40% | \$2,009 |
| 1 1 Bedroom | 30% | \$1,048 |
| 3 2 Bedrooms | 30% | \$1,258 |
| 4 3 Bedrooms | 30% | \$1,454 |
| 1 2 Bedrooms | Manager's Unit | \$0 |

Project Cost Summary at Application

| | |
|------------------------------------|---------------------|
| Land and Acquisition | \$65,000 |
| Construction Costs | \$54,242,193 |
| Construction Hard Cost Contingency | \$2,388,764 |
| Soft Cost Contingency | \$703,953 |
| Architectural/Engineering | \$2,259,075 |
| Const. Interest, Perm. Financing | \$3,841,411 |
| Legal Fees | \$165,000 |
| Reserves | \$986,025 |
| Other Costs | \$2,032,471 |
| Developer Fee | \$2,200,000 |
| Total | \$68,883,893 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$707 |
| Per Unit Cost: | \$943,615 |
| True Cash Per Unit Cost*: | \$943,615 |

| Construction Financing | | Permanent Financing | |
|-----------------------------------|--------------|-----------------------------------|---------------------|
| Source | Amount | Source | Amount |
| Chase Bank | \$36,361,354 | San Francisco - OCII ¹ | \$35,253,013 |
| San Francisco - OCII ¹ | \$26,383,849 | AHP | \$1,000,000 |
| Accrued Interest on Soft Loans | \$747,762 | Accrued Interest on Soft Loans | \$747,762 |
| Costs Deferred Until Conversion | \$2,396,025 | General Partner Capital | \$100 |
| General Partner Capital | \$100 | Tax Credit Equity | \$31,883,017 |
| Tax Credit Equity | \$2,994,802 | TOTAL | \$68,883,893 |

¹San Francisco Office of Community Infrastructure and Investment (OCII)

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

| | |
|--|---------------------|
| Requested Eligible Basis: | \$65,666,975 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$85,367,067 |
| Applicable Rate: | 4.00% |
| Total Maximum Annual Federal Credit: | \$3,414,683 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$2,200,000 |
| Investor/Consultant: | Community Economics |
| Federal Tax Credit Factor: | \$0.93370 |

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Significant Information / Additional Conditions. None.

Resyndication and Resyndication Transfer Event. None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.